



Committed to the future of rural communities.

## RURAL HOUSING PROGRAMS

### COMMUNITY FACILITIES GUARANTEED LOAN PROGRAM

*USDA Rural Development is committed to building stronger, more vibrant rural communities across the nation. Community facilities - such as health care clinics, police and fire stations, and schools - are essential to the quality of life in rural communities. USDA Rural Development can work with local lenders - including banks, savings and loan associations, mortgage companies, and Farm Credit System banks - to offer loan guarantees to help build essential community facilities.*

#### Types Of Projects Financed

- Health Care
  - ◆ Hospitals, clinics, nursing homes, ambulatory care centers, etc.
- Public Safety
  - ◆ Police and fire stations, jails, fire and rescue vehicles, and communication centers.
- Telecommunications
  - ◆ Medical and educational telecommunication links.
- Public Services
  - ◆ Adult and child care centers, courthouses, senior centers, airports, schools, fairgrounds, jails, community buildings, etc.
- Recreational Facilities
  - ◆ Parks, health clubs, sports activity centers, ice & hockey rinks, golf courses, campgrounds, swimming pools, tennis courts, and sports arenas.

#### Eligible Entities

- Public Entities
  - ◆ Municipalities, counties, other public subdivisions, and special-purpose districts.
- Federally recognized Indian Tribes.
- Nonprofit organizations.

#### Eligibility Issues

- Lender must be unwilling to make the loan without obtaining a loan guarantee.

#### Benefits To Lender

- Loans may be used towards Community Reinvestment Act requirements.
- Guarantee rate is usually 80% of loan amount. Under special circumstances, a 90% guarantee is available.
- Excellent public relations in local communities by demonstrating lender's interest in funding local community projects.
- Variable-rate loans may be used to reduce lender risk from interest fluctuation.
- Lender may charge different rates on guaranteed and non-guaranteed portions of the loan.
- Lender's risk of loss is reduced by the percent of loan guarantee.
- Loan stimulates related banking services to customers, such as checking and savings accounts.
- Guaranteed portion of loan is secured by full faith and credit of U.S. Government.
- Guaranteed portion of loan does not count against legal lending limits.
- Provides portfolio protection from:
  - ◆ Temporary financial problems, such as natural disasters, adverse economic trends, reduced use of facilities, etc.
  - ◆ Major reorganizations due to enlargements, bankruptcy, death of principals operating and managing facility, etc.
  - ◆ Decline in collateral value due to adverse economic trends.
  - ◆ Accelerated depreciation and inherent risk associated with highly specialized facilities.
- Guaranteed loans may be sold on the secondary market - lender retains interest rate margin for servicing and increases yield on the amount of loan retained. See example below:

#### Approximate yield on fixed rate loan

Amount of loan	\$1,000,000
Portion sold (80%)	\$ 800,000
Invested funds	\$ 200,000
Loan interest rate	10.00%
Rate paid on portion sold	9.00%
Servicing fee on amount sold	1.00%
Prime rate	8.00%
Income - 1% on \$800,000	\$ 8,000
10% on \$200,000	\$ 20,000
<b>Total income</b>	<b>\$ 28,000</b>
Approximate yield on invested funds	14.00%

### Benefits For The Customer

- Customer is able to obtain timelier financing of project, thereby reducing inflationary increases in construction cost.
- Customer establishes loan history with a commercial lender, not the Government.
- Lender can offer better terms to customer, especially when loan is sold on secondary market.
- The customer may combine guarantee funds with other Federal, State and local funds.

### Benefits For The Community

- Adequate local services attract residential and commercial development.
- Tax base can increase with new development.
- Insurance rates can decrease with better fire protection.
- Community quality of life improved.

### Assistance Available For Loan Processing

- Aside from agency application forms, the lender uses its own documents to make and service loans.
- Agency staff is available to assist lenders to prepare documents required for guaranteed loan processing.
- Agency has technical staff who reviews construction plans and environmental impact statements for the benefit of the Government.

### For More Information

For more information contact your local USDA Rural Development Office or the USDA Rural Development State Office at:

USDA Rural Development  
Attn: Community Program Division  
Federal Building, Room 152  
100 Centennial Mall North  
Lincoln, NE 68508-3888  
Phone: (402) 437-5556 (voice)  
(402) 437-5093 (TDD)

National Office Web site: <http://www.rurdev.usda.gov/rhs/>  
Nebraska Rural Development Web site: <http://www.rurdev.usda.gov/ne>  
Nebraska State Office Telephone Number: (402) 437-5551  
Nebraska State Office Facsimile Number: (402) 437-5408  
Nebraska State Office TDD Number: (402) 437-5093

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